

for grant dollars awarded and expended because there is no standardization of reporting cycles.

The second problem lies in the lag between the fiscal-year end and reporting deadlines. For example, grantees receiving or expending \$500,000 or less in state funds submit their financial and activities information within six months of their fiscal-year end. Thus, a grantee with a December fiscal-year end that received grant funds in January 2009 would not need to submit financial and activities information until June 2010. Grantees receiving or expending more than \$500,000 in state funds submit their financial or activities information within nine months of their fiscal-year end. Consequently, a grantee with a December fiscal-year end that received grant funds in January 2009 would not need to submit financial and activities information until September 2010. There may be as long as 18 to 21 months between disbursement and a grantee's reporting deadline. As a result, the reporting cycle limits the state's ability to account for grant dollars in real time.

**Accountability suffers when agencies do not consistently enforce reporting requirements.** As described in administrative rules, the state considers grantees non-compliant with reporting requirements and places them on the Non-Compliance list when grantees fail to submit information to the Grants Information Center within the timeframe allowed or fail to make corrections identified by the state agencies overseeing their grants. The Non-Compliance list serves as notice that reporting is delinquent. If grantees do not meet reporting requirements within 60 days, they are put on the Suspension of Funding list. Grantees on the Suspension of Funding list may not receive state grant funds from any agency until they meet reporting requirements. State agencies are responsible for verifying grantees are not on the Suspension of Funding list before authorizing the North Carolina Accounting System to pay them.

Weaknesses in this system allow grantees to continue to receive public funds even if they should not. One weakness results from the reporting cycle discussed above. Grantees may receive state funds 18 to 21 months before they are required to report. If grantees fail to meet reporting requirements, they do not appear on the Suspension of Funding list for another 60 days. In the time it takes for grantees to appear on the Suspension of Funding list, they could have received other state grants.

Relying on audits to ensure state-level accountability compounds delays associated with reporting cycles. Yellow Book audits typically occur after funding is disbursed, and audit results may not be available until long after the grant period ends. In cases where a grantee arouses suspicion, the Office of the State Auditor may conduct an investigative audit to determine if funds should be returned to the state. In Fiscal Year 2007-08, the Office of the State Auditor conducted 25 audits of non-profit grantees that found \$797,692 in questioned costs. However, given the length of time between when grantees receive state funds and when they are audited, grantees may no longer have the funds to repay questioned costs or may no longer be in business. This problem is exacerbated when federal funds are involved because state agencies are liable for misspent federal funds. North Carolina's ability to hold grantees accountable for their use of state funds is limited because auditing only catches problems long after they